United Nations Industrial Development Organization

Distr.: General
11 February 2014

Original: English

General Conference
Fifteenth session

Summary record of the 5th meeting
Held at the Westin Lima Hotel and Convention Center, Lima, on Wednesday, 4 December 2013, at 10 a.m.

Moderator of interregional debate 3: Mr. Höchtl (former member of the Parliament of Austria)
Moderator of interregional debate 4: Mr. Pietrobelli (Inter-American Development Bank)

Contents

Agenda item		*Paragraphs*
9	Forum on industrial development issues (*continued*)	1-28

This record is subject to correction.

Corrections should be submitted in one of the working languages, set forth in a memorandum and/or incorporated in a copy of the record. They should be sent to the Chief, Conference Management Service, room D0771.

In accordance with the rules of procedure of the General Conference, corrections may be submitted within seven days of the receipt of the record or of the closure of the session, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued after the end of the session.

V.13-88647 (E) 110214 120214

Please recycle

The meeting was called to order at 10 a.m.

Forum on industrial development issues (GC.15/4) (*continued*)

Interregional debate 3: "From policy to action: How to make industrialization inclusive and sustainable"

1. An interactive discussion was held on how to make industrialization inclusive and sustainable. The moderator, Mr. Josef Höchtl, former member of the Parliament of Austria, introduced the panellists: Mr. Mario das Neves, Ministry of Development, Industry and Foreign Trade, Brazil; Mr. Mauricio de Maria y Campos, Director of the Institute for Research on Sustainable Development and Social Equality (Instituto de Investigaciones sobre Desarrollo Sustentable y Equidad Social) of the Universidad Iberoamericana, Mexico; Mr. Pekka Lindroos, General Secretary, Prime Minister's Office, Finland; and Mr. Yao Shenhong, Director General of the China International Center for Economic and Technical Exchanges, Ministry of Commerce, China.

2. The moderator said that reasons for the inability of some countries to move from policy to action included a lack of the necessary instruments, insufficient knowledge of how to implement policy successfully, poor private-sector response to government policies and activities, a lack of leadership, coordination and analytic tools and a lack of consensus among stakeholders. In Austria, economic growth and social stability had been achieved through policy formulation and implementation on the basis of the Austrian Social Partnership, which had been developed after the Second World War as a system of cooperation between economic stakeholders and the Government, the main partners being the Federal Economic Chamber, of which all companies in Austria had to be members, the Federal Chamber of Labour, the Trade Union Federation and the Chamber of Agriculture.

3. Mr. das Neves said that in Brazil, the Government, the private sector and the labour force were all involved in the formulation of industrial policy. In 2011, the Great Brazil Plan (Plano Brasil Maior), had been developed with the aim of encouraging innovation, technological development, competition and growth through such strategies as the reduction of production and labour costs and taxes on investments in capital goods and the establishment of favourable rates for investors. Specific plans were also in place for the oil and gas, renewable energy, health, defence and aerospace and information and communications technology sectors, as well as for environmental sustainability.

4. Mr. Yao Shenhong said that in China, industrial policies were formulated by the central Government (the State Council) and their implementation was guided and regulated through the country's five-year plans, as well as through laws, regulations, administrative orders and directives. The monitoring and evaluation of such implementation was carried out by relevant governmental departments. Policies were communicated to the public through newspapers and other media, including the television and Internet. The five-year plans guided the economic and social development of China and were implemented by Government bodies at various levels. Although there were no specific industrial policy laws, there were laws in closely related fields, such as accounting and foreign investment.

5. Mr. Lindroos said that the restructuring of the economy required the support of stakeholders, in particular the companies that would be driving changes. In Finland there was a system whereby social partners discussed various aspects and challenges of the competitiveness agenda with the Economic Council, which met once a month. The Technology and Innovation Council also comprised social partners, as well as Government ministries. Finland was unique in that it had a parliamentary Committee for the Future, which had commissioned a report on the future. One conclusion of the report was that Finland would remain a manufacturing country but needed to prepare for a future based on digital value creation. It was estimated that, by the mid-20[illegible] half of all value-added activities in Finland [illegible]ould be based on digital technology. The current growth model needed to be adapted and new players should be involved in planning for growth. In a future in which digital development and green technology would play a major role and manufacturing services would be of a global nature, Finland needed to be able to service global value networks and ensure that its companies could meet the demands of the global economy.

6. Mr. de Maria y Campos said that it was very difficult to formulate industrial development strategies and policies without a macroeconomic and social

environment that fostered stability, industrial development and growth in productive sectors, encouraged greater public and private investment, including foreign investment, and created well-paid jobs. Physical and social infrastructure and a stimulating fiscal and financial environment were also needed. Coordination, networking and policy linkages were needed not only between the various levels of Government and the private sector, academia, workers and other groups, including non-governmental organizations, but also within individual ministries and sectors. Action should be taken at the national level, but the implementation of networks and policies should foster regional cooperation and thus regional participation in the new industrial world economy.

7. The moderator asked whether any national institutions had been established specifically to advise the Government and stakeholders on future challenges and on how to meet those challenges. In Austria, for example, the Advisory Council for Economic and Social Affairs made recommendations to the Government that were discussed and, in many cases, implemented. The Austrian Institute of Economic Research, which was supported by social partners, produced studies on future challenges.

8. Mr. Lindroos said that Finland had various such institutions, each with specific roles. The Government was investing in ways to enable the private sector to discuss the future with the Government. Parliament had also requested that the Government analyse important future issues, for example through the report on the future. Mr. Yao Shenhong said that the State Council and the various ministries and their departments prepared recommendations to guide future action in their respective areas of activity. Mr. das Neves said that the Ministry of Planning of Brazil was in charge of coordinating the activities of other ministries and preparing scenarios for the future, and that think tanks also worked on issues relating to future challenges. Mr. de Maria y Campos said that, in Mexico, emphasis was being placed on long-term planning for industrial development, and stakeholders such as the Institute for Research on Sustainable Development and Social Equality were making relevant recommendations.

9. When asked how difficulties and conflicts could be overcome and how the private sector could be encouraged to cooperate with the Government, the panellists said that there was no "one-size-fits-all" solution for overcoming conflicts, and that account should be taken of the different objectives of the Government, the private sector and the labour force. Tax benefits could be used to motivate the private sector. The involvement of all main political parties in major changes to a country's legislation and the involvement of non-governmental stakeholders in the drafting of proposed legislation could also help to avoid conflict. Lastly, the functioning of the financial market should be improved at both the regional and the global level.

10. Invited to consider how countries addressed the challenge of job creation within the context of inclusive and sustainable industrialization, the panellists said that Governments should take the lead but should work with businesses as well as with other Governments and UNIDO. Job creation required economic growth, which in turn required increased investment. However, jobs should not be created at the expense of the environment and sustainability. The importance of education and training, including the retraining of employees with outdated skills, was also emphasized.

11. With regard to the role of UNIDO in making development sustainable and inclusive, the panellists highlighted the ability of the Organization to provide a network for communicating best practices and sharing knowledge and experience, and its role in providing technical expertise and capacity-building.

12. In response to questions raised by members of the audience, the panellists underscored the importance of including environmental considerations, sustainability and inclusivity in industrial policies and the need to consider how changes in social and family structures were affecting traditional entrepreneurial models.

Interregional debate 4: "Strengthening associative models for industrial development"

13. An interactive discussion was held on strengthening associative models for industrial development. The moderator was Mr. Carlo Pietrobelli, Lead Economist at the Inter-American Development Bank, and the panellists were: Ms. Rosario Bazán, co-founder, shareholder and Chief Executive Officer of DanPer Trujillo SAC, Peru; Mr. Mukesh Gulati, Executive Director of the Foundation for Micro, Small and Medium Enterprise Clusters, India; Mr. Apollo

Onyango, Director of Kenya Horticultural Exporters Limited; Mr. Pablo Vargas, Chief Executive Officer of Grupo Britt, N.V., Costa Rica; and Mr. Douglas Zhihua Zeng, Senior Economist at the World Bank.

14. The moderator said that associative models for industrial development were based on linkages, which provided opportunities for education, technology acquisition and information-sharing. However, linkages were not always fully exploited, hence the need for policies to promote and improve them, both between companies, and between companies and policymaking organizations. A challenge faced by companies was how to find a balance between competing and cooperating with each other, while international organizations and policymakers were faced with the issue of how and to what extent they could foster such cooperation. Clusters and value chains were the concepts most commonly used to promote enterprise development. Governance of and coordination between those clusters and value chains were important factors, as lack of coordination was a major reason for slower development.

15. A cluster might be formed by companies located in the same area and specialized in related activities. It allowed those companies to benefit from collective efficiency and ease of collaboration and joint action. Global value chains comprised a chain of activities, each carried out by several companies. Research by the Inter-American Development Bank had shown that cluster development programmes generated increased fiscal revenues and profits and allowed companies to react better to crises and to be more resilient and flexible. Cluster development programmes financed by the Bank in Brazil had led to decreased unemployment and an increase in the number of exporters, as well as an increase in overall exports.

16. He asked the panellists to share their views on clusters and value chains and how they helped and fostered enterprise development, and how large firms involved small firms and producers in the clusters and value chains that they led.

17. Ms. Bazán said that value chains and clusters had made the growth of DanPer possible. The company worked with over 1,000 suppliers and service providers and had invested in all the elements of the value chain, for example through training for small farmers on chemical use, to allow farmers and suppliers to improve their productivity and competitiveness and to fulfil the quality standards demanded in the global markets. As a result, farmers had been able to expand their farms and Peru had increased its exports, thereby generating economic growth and social development.

18. Mr. Onyango said that his company had worked to build the overall capacity of small producers using the cooperative model. Managing small producers was expensive; cooperatives were important because they allowed producers to share resources, knowledge and markets. A cluster of small producers was able to deliver products that met the quality standards of the European market and could offer consistency and efficiencies in the supply chain, thereby attracting buyers, as well as investment. Working together, smallholders could also strengthen their bargaining power with regard to setting prices.

19. Mr. Vargas said that Grupo Britt was built on associative models, as the company had to build long-term relationships with producers in each country in which it operated. The company provided financing to its individual suppliers, helping them to join the formal economy and to expand in order to meet the company's demand for their products. Such expansion often took place within the framework of an associative model. Grupo Britt also assisted cooperatives in augmenting their technical knowledge.

20. Mr. Zeng Zhihua highlighted the importance of the relationship between governments and enterprises. In China, the Government had facilitated the development of clusters through, inter alia, a clear tax regime, good infrastructure and the provision of skills training and financing for research.

21. Mr. Gulati also stressed the importance of cooperation between the private sector and the Government when it came to enterprise and cluster development. Public-private partnerships had been developed in India to enable relevant Government ministries to work with clusters to design and provide schemes and incentives adapted to the particular needs of those clusters.

22. When asked whether clusters could be created and policies oriented towards their creation through the establishment of science parks or special economic zones, Mr. Zeng Zhihua said that in developing countries, the vast majority of successful clusters were those that had evolved organically (the "bottom-up model"). The success rates of clusters that were

developed from scratch (the "top-down model") was higher in developed countries, but they were still relatively low. In China, the construction of science and technology parks and special economic zones had been aimed not at creating clusters but at building up industrialization and manufacturing capacity, and that had led to the development of clusters. Depending on the objectives of the country concerned, special economic zones could be successful, but it was better to create parks and zones with the aim of facilitating the expansion and strengthening of existing successful clusters.

23. The moderator said that the development of clusters required human capital, technical training, infrastructure, research and technology transfer, all of which came under the remit of different Government entities. He asked how coordination between all those entities could be achieved in order to benefit the development of clusters, whether cluster development could be a national policy and what role international organizations and international financial institutions could play in that regard.

24. Ms. Bazán said that efforts were being made in Peru to facilitate communication between associations of farmers or industrial companies and Government ministries, and to improve communication between ministries. Such communication allowed the Government to identify which clusters were generating economic growth and to understand what barriers were faced by those clusters so that the Government could help to overcome those barriers. In addition, agreements had been concluded with the ministries of education and employment to allow entrepreneurs to provide input to the curricula of universities and training institutions so that the training they provided responded to the needs of the enterprises concerned.

25. Mr. Zeng Zhihua said that Government incentives to encourage companies to invest in training personnel and facilitate technology transfer had proved to be successful in China and the Republic of Korea. International organizations could provide clusters with training and technical assistance, for example on quality standards, and could also facilitate linkages between small enterprises and large firms.

26. Mr. Onyango said that public-private dialogue was crucial in aiding understanding of policies and of the needs of the private sector. Special economic zones were being set up in Kenya and investment, both foreign and local, was needed to increase the technological and human resource capacity of those zones.

27. Mr. Gulati said that integration involving various ministries and infrastructure was required, but each ministry needed to understand the clusters in their respective areas of activity. Innovation promotion and infrastructure development should be in line with the needs of clusters and should take into account such aspects as social and gender-related issues. The creation of industrial parks through public-private partnerships on the initiative of firms that needed to be relocated had proved far more successful than the creation of parks created without sufficient input from the clusters themselves.

28. Mr. Vargas said that the greatest rate of return, for developing countries in particular, came through reducing bureaucracy and bureaucratic processes. Multilateral organizations could help Governments to streamline such processes, produce case studies on best practices and facilitate communication between Governments. Governments should experiment more and consider replicating initiatives developed by the private sector.

A video was shown on the work of UNIDO.

The meeting rose at 1 p.m.